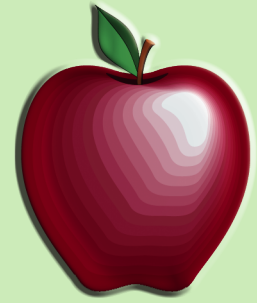


Health Care

...Pathways to Change



TOPIC: Why Now, Why Los Alamos?

A NATIONAL PROBLEM

Nationally, health care costs are increasing far faster than the rate of general inflation. On average, according to a recent study by the human resources consulting firm Hewitt Associates, large employers expect their health care costs to rise 22 percent for 2003. Some employers will experience much greater increases. This trend is expected to persist for the next several years.

Among the key factors influencing this trend are:

- **New technology:** Unlike many industries, in health care the introduction of new technology tends to increase costs rather than decrease them.
- **Prescription drug costs:** The introduction of expensive new drugs and direct-to-consumer advertising are two factors that have led to significant cost pressures.
- **Aging population:** The elderly, with greater needs for medical products and services, are a fast-growing segment of the population.
- **Provider requests for higher payment:** After a period of relatively moderate increases from both health plans and the government, many providers are now demanding substantial increases.

A LOCAL CHALLENGE

Factors particular to Los Alamos and the Lab population further contribute to cost increases and heighten the need to address the problem.

Key factors are:

- **Geographic isolation:** This reduces the competitive pressures on both providers and health plans and leads to higher costs. Health care costs in Los Alamos County, for example, are 17 percent higher than the national average.
- **Limited health plan choices:** Relatively few health plans operate in New Mexico.
- **Well-educated and knowledgeable members:** Research indicates that active use of health care services goes up with more highly educated members.
- **Large retiree population:** The Lab has a higher percentage of retirees than any other UC location. In California, the UC system has three employees for each retiree; at Los Alamos, the ratio is two employees for each retiree.
- **More doctors and specialists than would be expected in a community the size of Los Alamos:** Studies show that a greater availability of providers tends to increase utilization.
- **More services provided by the hospital than would be expected in a community the size of Los Alamos:** The more services there are available, the more likely they are to be used. An American Hospital Association study has found that the state of New Mexico has the highest costs per inpatient day in the nation.

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